

Key Management Associates - CareFirst Non Contractual

Retention Bonus

□ Purpose:

- Maintain Stability of Operations
- Maintain Value of Company
- Provide Management Support for Transaction
- Minimize Risk of Talent Defection



Earned and Contractual Executive Benefits

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- ☐ Long Term Incentive Plan (LTIP)
 - Deferred Accounts
 - Active Grants
- ☐ Supplemental Executive Retirement Plan (SERP)
- ☐ Change of Control



Long Term Incentive Plan (LTIP)

Participants	#	Deferred Balances	Active Grants	Total Payout
Executives with Contracts*	8	\$ 3,604,398	\$10,970,340	\$ 14,574,738
Executives without Contracts	<u>9</u>	<u>\$ 1,076,949</u>	<u>\$ 3,493,283</u>	<u>\$ 4,570,232</u>
	17	\$ 4,681,347	\$14,463,623	\$ 19,144,970

Notes:

All amounts projected to April 1, 2003
LTI payout projected at \$185

* including CEO

The Plan Requires Payout Upon Change of Control (COC)

- ☐ *Deferred Accounts (30%) - Previously Earned from Prior Awards*
- ☐ *Active Grants (70%) - Currently in Progress*



SERP & Qualified Pension Plans

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Plan	\$	Payment Triggers
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Accrued Qualified Plan \$ 1,866,744 Upon Termination of Executive

SERP Benefit \$ 20,730,000 Double Trigger upon COC/Termination

\$ 22,596,744

• *Accrued Benefits have been Earned Over a Period of Years*

• *Contractual Obligation*

- Pay SERP Accrued Balance Upon Termination of Executives at COC
- Additional "Executive Service" Provided to Three Executives Hired Mid-career with Prior Executive Experience
- Accrued Qualified Plan Benefit Paid Upon Termination of Executives

OCC 016435



Change of Control Payment

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Executives with Contracts or COC

\$

Payment Triggers

Multiple of Salary plus Annual Incentive	\$ 13,128,207	Double Trigger upon COC/Termination
Pro-rated Current Year Incentive	\$ <u>416,061</u>	Double Trigger upon COC/Termination
Subtotal COC Cash Payments	\$ 13,544,268	
Personal & Health Benefits	\$ <u>514,957</u>	Double Trigger upon COC/Termination
Total COC Cash & Benefits	\$ 14,059,225	

- ☐ *Contractual Obligation Includes Payment of Excise Tax and Related Gross-Up.*
- ☐ *Pays Out Upon Termination in Connection with a Change of Control and Substantial Diminution of Duties*

